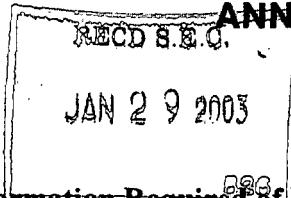




03002757

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: RECD October 31, 2004  
Estimated average burden  
hours per response... 12.00  
JAN 29 2003  
SEC FILE NUMBER  
28712454

Firm ID 3998

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: JACK V. BUTTERFIELD INVESTMENT CO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

100 S. Jackson Street, Suite 100

(No. and Street)

Jackson,

(City)

Michigan

(State)

49201

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert D. McCowen

(517) 529-9869

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

McCowen, Robert D.

(Name - if individual, state last, first, middle name)

8400 N. Shore Drive, Clarklake,

(Address)

(City)

Michigan

(State)

49234

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

FEB 06 2003

FOR OFFICIAL USE ONLY	THOMSON FINANCIAL
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

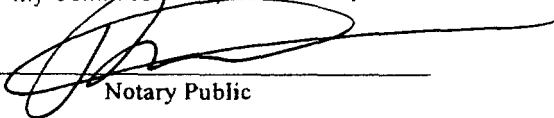
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

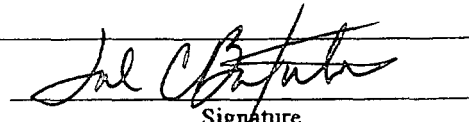
2-4

## OATH OR AFFIRMATION

I, John C. Butterfield, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Jack V. Butterfield Investment Company, as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Robert F. Robidoux  
NOTARY PUBLIC, Jackson County, MI.  
My Commission Expires February 28, 2006

  
Notary Public

  
Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
  - ☒ (b) Statement of Financial Condition.
  - ☒ (c) Statement of Income (Loss).
  - ☒ (d) Statement of Changes in Financial Condition.
  - ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
  - ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
  - ☒ (g) Computation of Net Capital.
  - ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
  - ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
  - ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
  - N/A ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
  - ☒ (l) An Oath or Affirmation.
  - ☐ (m) A copy of the SIPC Supplemental Report. No longer required
  - N/A ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
  - ☒ (o) Independent Auditor's Report on Internal Accounting Control.
- \*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).
- ☒ (p) Condensed Customer Information - Statement of Financial Condition.

# ROBERT D. McCOWEN

Certified Public Accountant  
P.O. Box 197, 8400 N. Shore Drive  
Clarklake, Michigan 49234  
517/529-9869

## Independent Auditor's Report

Board of Directors  
Jack V. Butterfield Investment Co.

I have audited the accompanying statement of financial condition of Jack V. Butterfield Investment Co. (a Michigan S-corporation), as of December 31, 2002, and the related statements of income, retained earnings, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free to material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jack V. Butterfield Investment Co., as of December 31, 2002, and the results of their operations and their cash flows for the year ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basis financial statement taken as a whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic financial statement, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Robert D. McCowen, CPA

January 24, 2003

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2002**

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 147,611
Cash - custodian account	206,888
Accounts receivable - customer and brokers (Note 2)	112,607
Accounts receivable - due from clearing	50,000
Accounts receivable - miscellaneous	26,271
Company owned securities (Note 7)	27,000
Prepaid expenses (Note 12)	5,085
Total current assets	<u>575,462</u>

**PROPERTY AND EQUIPMENT - AT COST:**

Leasehold improvements	36,271
Furniture and fixtures	15,658
	<u>51,929</u>
Less: Accumulated depreciation	22,941
Total property and equipment	<u>28,988</u>
	<u><u>\$ 604,450</u></u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**CURRENT LIABILITIES:**

Accounts payable - customers and brokers (Note 2)	\$ 42,131
Accounts payable	3,573
Accrued payroll taxes	5,755
Accrued profit sharing	43,839
Other accrued expenses	1,717
Note payable - Stockholder (Note 9)	134,134
Total current liabilities	<u>231,149</u>

**STOCKHOLDER'S EQUITY:**

Common stock - \$1.00 stated value; authorized 25,000 shares; issued and outstanding 9,565 shares	9,565
Retained earnings	363,736
Total stockholder's equity	<u>373,301</u>
	<u><u>\$ 604,450</u></u>

See accompanying notes to financial statements.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2002**

**INCOME:**

Commissions - stock	\$ 436,678
Commissions - mutual funds	542,919
Commissions - other	31,002
Profits - sales of securities	37,276
Miscellaneous	12,515
Total income	<u>1,060,390</u>

**EXPENSES:**

Officer's salary	200,000
Commissions	109,253
Office salaries	147,455
Payroll taxes	27,914
Group insurance	36,230
Promotion	9,730
Auto expense	16,101
Dues and subscriptions	29,845
Telephone	11,600
Office expenses	11,239
Postage	4,498
Professional fees	11,425
Insurance	5,823
Depreciation	7,086
Rent	22,033
Profit sharing	87,639
Contributions	3,140
Michigan Single Business Tax	9,067
Utilities and occupancy costs	13,343
Other taxes	4,104
Advertising	3,325
Miscellaneous	3,671
Total expenses	<u>774,521</u>

NET INCOME	<u>\$ 285,869</u>
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Earnings per share of Common Stock	<u>\$29.89</u>
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See accompanying notes to financial statements.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**YEAR ENDED DECEMBER 31, 2002**

	<u>COMMON STOCK</u>		<u>RETAINED</u>	<u>TOTAL</u>
	<u>SHARES</u>	<u>AMOUNT</u>	<u>EARNINGS</u>	<u>STOCKHOLDER'S</u>
				<u>EQUITY</u>
Balance - Beginning of year	9,565	\$ 9,565	\$ 363,736	\$ 373,301
Add: Net income for the year			285,869	285,869
Less: Dividend			(285,869)	(285,869)
Balance - End of year	<u>9,565</u>	<u>\$ 9,565</u>	<u>\$ 363,736</u>	<u>\$ 373,301</u>

See accompanying notes to financial statements.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 285,869
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	7,086
(Increase) decrease in:	
Accounts receivable	8,610
Securities owned	(3,600)
Prepaid expenses	1,775
Increase (decrease) in:	
Accounts payable	40,450
Accrued liabilities	28,320
Note payable - Stockholder	(36,720)
Net cash provided by operating activities	<u>331,790</u>

**CASH FLOWS FROM INVESTMENT ACTIVITIES:**

Purchase of property and equipment	<u>(6,179)</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Dividend paid	<u>(285,869)</u>
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NET INCREASE IN CASH	39,742
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CASH AT BEGINNING OF YEAR	<u>314,757</u>
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CASH AT END OF YEAR	<u><u>\$ 354,499</u></u>
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**SUPPLEMENTAL DISCLOSURES:**

Noncash investing and financing transactions	\$ -0-
Interest paid	-0-
Income taxes paid	-0-

See accompanying notes to financial statements.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounting for Security Transactions**

Security transactions and related commissions revenue and expenses are recorded on a settlement date basis. There is no material difference between settlement date and trade date basis.

Securities owned by the Company are stated at market quotations value in accordance with industry practice.

**Property, Equipment and Depreciation**

Property and equipment are stated at cost. Depreciation of property and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the assets.

**Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising (no direct-response advertising)**

The Company expenses advertising as incurred. Advertising expense was \$3,325 for the year ended December 31, 2002.

**NOTE 2 - RECEIVABLE FROM AND PAYABLE TO CUSTOMERS AND BROKERS**

The amounts shown represent the dollar balances receivable from and payable to customers and brokers in connection with securities and cash transactions. The net receivables are fully collateralized by securities, the value of which is not reflected in the consolidated financial statements.

**Receivables:**

Broker - fail to deliver	\$ -
Broker - trading deposit	112,607
Customer - fully secured	-
Total	<u>\$ 112,607</u>

**Payable:**

Broker - fail to receive	\$ -
Customer - securities accounts	42,131
Total	<u>\$ 42,131</u>



**JACK V. BUTTERFIELD INVESTMENT CO.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2002**

**NOTE 3 - PROFIT SHARING PLAN**

The Company has a defined contribution profit sharing plan covering all full time employees who have completed one year of service. The profit sharing plan provides for the employer to contribute an amount out of its current profits, as defined in the plan agreement. For the year ended December 31, 2002, the Company contributed \$87,639 to the plan.

**NOTE 4 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND  
CONCENTRATIONS OF CREDIT RISK**

The Company has a local retail customer base. The Company conducts business with brokers and dealers, clearing organizations and depositories that are nationwide. Banking activities are conducted mainly with commercial banks located in the Jackson, Michigan area to primarily support customer securities activities. At audit date the custodian checking accounts at Comerica Bank and County National Bank exceeded the federally insured limits by \$6,888 and the checking account at Citizens Bank exceeded the federally insured limit by \$47,611.

The Company records clearance of securities transactions on a settlement date basis, which is generally three business days after trade date. The Company is therefore exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill contractual obligations.

**NOTE 5 - MINIMUM CAPITAL REQUIREMENTS**

Under the rules prescribed by the Securities and Exchange Commission, the ratio of the firm's aggregated "indebtedness" to "net capital" (as those terms are defined in the rules) must not exceed 15 to 1. At December 31, 2002, the ratio of aggregate indebtedness to net capital was .56 to 1. The firm's net capital as of December 31, 2002 is \$331,906 and exceeds the required net capital of the Securities and Exchange Commission of \$250,000 by \$81,906.

**NOTE 6 - SECURITIES AND EXCHANGE COMMISSION REPORT**

Part 1 of the Company's December 31, 2002, Securities and Exchange Commission report Form X-17A-5, is available for examination and copying at 100 S. Jackson Street, Suite 100, Jackson, Michigan or at the Chicago, Illinois office of the Securities and Exchange Commission

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2002**

**NOTE 7 - COMPANY OWNED SECURITIES**

Company owned securities are normally carried at market value at year end in accordance with industry standards. However, the 300 NASD (National Association of Securities Dealers) stock warrants are not yet publicly traded, therefore, have been reported at cost. The Company anticipates no material difference between market value and cost. When computing minimum capital requirements as prescribed by the SEC, a 100% hair cut is required for non-publicly traded securities thereby reporting a zero value on Form X-17A-5.

300 shares NASD =	\$ 3,300
12 Jacobson stores debentures	550
1,000 shares Edison Trust II	
8.60% =	<u>23,150</u>
	<u>\$ 27,000</u>

**NOTE 8 - COMMITMENTS**

The Company is under a five year triple net lease of \$1,836 per month (see related party transaction). The lease expires December 31, 2004.

2002 =	\$ 22,032
2003 =	\$ 22,032
2004 =	\$ 22,032

**NOTE 9 - RELATED PARTY TRANSACTIONS**

John C. Butterfield, sole stockholder of Jack V. Butterfield Investment Co., has a 28% interest in the building partnership which leased office space to the Corporation in 2002, and will continue to lease it in 2003. As of December 31, 2002, \$134,134 was owned to stockholder.

**NOTE 10 - COMPENSATED ABSENCES**

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

**NOTE 11 - PROVISION FOR FEDERAL INCOME TAX**

No provision was made due to election to be treated as an S-Corporation.

**NOTE 12 - PREPAID EXPENSES**

Prepaid Insurance =	<u>\$ 5,085</u>
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**SUPPLEMENTAL INFORMATION**

**Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934**

**As of December 31, 2002**

# SCHEDULE I

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER JACK V. BUTTERFIELD INVESTMENT CO.

as of 12/31/2002

### COMPUTATION OF NET CAPITAL

1. Total ownership equity (from Statement of Financial Condition - Item 1800)	\$ 273,301	3480
2. Deduct: Ownership equity not allowable for net capital		3490
3. Total ownership equity qualified for net capital	373,301	3500
4. Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital	-0-	3520
B. Other (deductions) or allowable credits (List)		3525
5. Total capital and allowable subordinated liabilities	\$ 373,301	3530
6. Deductions and/or charges:		
A. Total non-allowable assets from		
Statement of Financial Condition (Note B and C)	\$ 34,073	3540
1. Additional charges for customers' and non-customers' security accounts		3550
2. Additional charges for customers' and non-customers' commodity accounts		3560
B. Aged fail-to-deliver:		3570
1. Number of items	39	3450
C. Aged short security differences-less		
reserve of	\$ 3460	3580
number of items	3470	
D. Secured demand note deficiency		3590
E. Commodity futures contracts and spot commodities		
proprietary capital charges		3600
F. Other deductions and/or charges		3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)		3615
H. Total deductions and/or charges	34,073	3620
7. Other additions and/or allowable credits (List)		3630
8. Net Capital before haircuts on securities positions	\$ 339,228	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1 (f) ):		
A. Contractual securities commitments		3660
B. Subordinated securities borrowings		3670
C. Trading and Investment securities:		
1. Bankers' acceptances, certificates of deposit and commercial paper		3680
2. U.S. and Canadian government obligations		3690
3. State and municipal government obligations		3700
4. Corporate obligations		3710
5. Stocks and warrants	7,322	3720
6. Options		3730
7. Arbitrage		3732
8. Other securities		3734
D. Undue concentration		3650
E. Other (list)		3736
10. Net Capital	\$ 331,906	3740
		3750

"No material difference between unaudited computation and above computation."

OMIT PENNIE

**SCHEDULE I (CONTINUED)**  
**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**  
**PART II**

**BROKER OR DEALER**

**JACK V. BUTTERFIELD INVESTMENT CO.**

as of **12/31/2002**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	12,461	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	250,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	250,000	3760
14. Excess net capital (line 10 less 13)	\$	81,906	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	313,215	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.L. liabilities from Statement of Financial Condition	\$	231,149	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1 (c) (1) (vii))	\$	44,237	3838
19. Total aggregate indebtedness	\$	186,912	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	56%	3850
21. Percentage of Aggregate Indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 11)	%	56%	3853

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%		3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less Item 4880 page 11 ÷ by line 17 page 8)	%		3854
28. Net capital in excess of: 5% of combined aggregate debit items or \$120,000	\$		3920

**OTHER RATIOS**

**Part C**

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	N/A	3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%		3852

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:  
1. Minimum dollar net capital requirement, or  
2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# SCHEDULE II

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER JACK V. BUTTERFIELD INVESTMENT CO.

as of 12/31/2002

### COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

#### CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3)	\$ 42,131	4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (see Note B)		4350
3. Monies payable against customers' securities loaned (see Note C)		4360
4. Customers' securities failed to receive (see Note D)		4370
5. Credit balances in firm accounts which are attributable to principal sales to customers		4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days		4390
7. **Market value of short security count differences over 30 calendar days old		4400
8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days		4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days		4420
10. Other (List)		4425
11. TOTAL CREDITS	\$ 42,131	4430

#### DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	\$ -0-	4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver		4450
14. Failed to deliver of customers' securities not older than 30 calendar days	\$ -0-	4460
15. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts (See Note F)		4465
16. Other (List)		4469
17. **Aggregate debit items	\$ -0-	4470
18. **less 3% (for alternative method only — see Rule 15c3-1 (I) (5) (ii))		4471
19. **TOTAL 15c3-3 DEBITS	\$ -0-	4472

#### RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11)	\$ -0-	4480
21. Excess of total credits over total debits (line 11 less line 19)	42,131	4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits	44,237	4500
23. Amount held on deposit in "Reserve Bank Account(s)", including value of qualified securities, at end of reporting period	206,888	4510
24. Amount of deposit (or withdrawal) including \$ -0- value of qualified securities	-0-	4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ -0- value of qualified securities	206,888	4530
26. Date of deposit (MMDDYY)		4540

No material difference between unaudited computation and above computation. FREQUENCY OF COMPUTATION

27. Daily 4332 Weekly 4333 Monthly X 4334

If the Reserve Requirement is computed under the alternative method, this "Reserve Formula" shall be

# SCHEDULE III

## FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER **JACK V. BUTTERFIELD INVESTMENT CO.**

as of **12/31/2002**

### COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)

#### EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k) (1)—\$2,500 capital category as per Rule 15c3-1	N/A	4550
B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained	N/A	4560
C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm	N/A	4570
	N/A	4580
D. (k) (3)—Exempted by order of the Commission		

#### Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and the number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. Notes A and B	\$	N/A	4586
A. Number of Items			4587
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D	\$	N/A	4588
A. Number of Items			4589
OMIT PENNIES			
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3	Yes	X	4584
	No		4585

#### NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c 3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

JACK V. BUTTERFIELD INVESTMENT CO.

as of 12/31/2002

## SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

### CUSTOMERS' REGULATED COMMODITY FUTURES ACCOUNTS

#### SEGREGATION REQUIREMENTS N/A

1. Net ledger balance:

A. Cash .....	\$	7010
B. Securities (at market) .....		7020
2. Net unrealized profit (loss) in open futures contracts traded on a contract market .....		7030
3. Exchange traded options:		
A. Add: Market Value of open option contracts purchased on a contract market .....		7032
B. Deduct: Market Value of open option contracts granted (sold) on a contract market .....	(	7033
4. Net equity (deficit) (total of 1, 2 and 3) .....		7040
5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades .....		7050
6. Amount required to be segregated (total of 4 and 5) .....		7060

#### FUNDS ON DEPOSIT IN SEGREGATION N/A

7. Deposited in segregated funds bank accounts:

A. Cash .....	\$	7070
B. Securities representing investments of customers' funds (at market) .....		7080
C. Securities held for particular customers or option customers in lieu of cash (at market) .....		7090
8. Margins on deposit with clearing organizations of contract markets:		
A. Cash .....		7100
B. Securities representing investments of customers' funds (at market) .....		7110
C. Securities held for particular customers or option customers in lieu of cash (at market) .....		7120
9. Settlement due from (to) clearing organizations of contract markets .....		7130
10. Exchange traded options:		
A. Add: Unrealized receivables for option contracts purchased on contract markets .....		7132
B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets .....		7133
11. Net equities with other FCMs .....		7140
12. Segregated funds on hand:		
A. Cash .....		7150
B. Securities representing investments of customers' funds (at market) .....		7160
C. Securities held for particular customers in lieu of cash (at market) .....		7170
13. Total amount in segregation (total of 7 through 12) .....	\$	7180
14. Excess (insufficiency) funds in segregation (13 minus 6) .....	\$	7190



# **ROBERT D. McCOWEN**

**Certified Public Accountant**  
P.O. Box 197, 8400 N. Shore Drive  
Clarklake, Michigan 49234  
517/529-9869

## **Independent Auditor's Report on Internal Accounting Control Required by SEC Rule 17a-5**

**Board of Directors**  
**Jack V. Butterfield Investment Co.**

In planning and performing my audit of the financial statements of Jack V. Butterfield Investment Co. for the year ended December 31, 2002, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by Jack V. Butterfield Investment Co. that I considered relevant to the objectives stated in rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The Management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from authorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I consider to be material weaknesses as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

*Robert D. McCowen, CPA*

Robert D. McCowen, C.P.A.  
Clarklake, Michigan  
January 24, 2003

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2002**

<b>ASSETS</b>		<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>	
Cash	\$ 147,611	LIABILITIES:	
Cash - segregated exclusive benefit of customers	206,888	Payable to customers and brokers	\$ 42,131
Accounts receivable	188,878	Note payable - Stockholder	134,134
Company owned securities	27,000	Other payable	<u>54,884</u>
Prepaid expenses	5,085	Total liabilities	<u>231,149</u>
Property and equipment (net of depreciation)	<u>28,988</u>	STOCKHOLDER'S EQUITY:	
		Common stock - \$1.00 stated value; authorized 25,000 shares; issued and outstanding 9,565 shares	9,565
		Retained earnings	<u>363,736</u>
		Total stockholder's equity	<u>373,301</u>
<b>TOTAL</b>	<b><u>\$ 604,450</u></b>		<b><u>\$ 604,450</u></b>

**NOTES:**

**1. Significant accounting policies followed by the Company:**

Securities and transactions and related commission revenue and expenses are recorded on a settlement date basis.

Securities owned by the Company are carried at market quotation value in accordance with industry standards.

Property and equipment are stated at cost. Depreciation of property and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the assets.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF FINANCIAL CONDITION (CONTINUED)**  
**DECEMBER 31, 2002**

1. Significant accounting policies followed by the Company (continued):

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising (no direct-response advertising)

The Company expenses advertising as incurred. Advertising expense was \$3,325 for the year ended December 31, 2002.

2. The Company is required to maintain minimum capital as defined in the "net capital" rules of the Securities and Exchange Commission of \$250,000. The ratio of aggregate indebtedness to net capital is not to exceed 15 to 1. At December 31, 2002, the Company's "net capital" was approximately \$331,906 and required capital was \$250,000. The ratio of aggregated indebtedness to net capital was .56 to 1.

**JACK V. BUTTERFIELD INVESTMENT CO.**  
**STATEMENT OF FINANCIAL CONDITION (CONTINUED)**  
**DECEMBER 31, 2002**

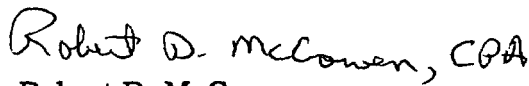
**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Jack V. Butterfield Investment Co.

I have audited the accompanying statement of financial condition of Jack V. Butterfield Investment Co., as of December 31, 2002. The statement of financial condition is the responsibility of the Company. My responsibility is to express an opinion on this financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Jack V. Butterfield Investment Co., at December 31, 2002, in conformity with generally accepted accounting principles.

  
Robert D. McCowen  
Certified Public Accountant

January 24, 2003

The Statement of Financial Condition filed pursuant to Rule 17a-5 of the Securities and Exchange Commission is available for inspection at the office of the Company and at the Chicago Regional and Washington, D.C. offices of the Securities and Exchange Commission.